

INTRODUCTION

Good afternoon, Ladies and Gentlemen. Many thanks to the Pleasanton Chamber of Commerce for hosting this State of the City event, and to all of you for joining me here today. It is an honor to deliver my first State of the City.

I am thrilled to share Pleasanton's accomplishments from the past year, and our goals and objectives for the coming 12 months. When you leave today, you will be confident that 2013 will be just as great as 2012, if not better. And, Pleasanton will continue to master the challenges ahead while being true to the unique spirit of our community. Chief among them, a commitment to actively engage with our civic partners, while upholding the transparency that strengthens us as community. This lasting commitment continues to enhance our reputation as a vibrant, forward-thinking community.

2012 ACCOMPLISHMENTS

Our local economy is rebounding and Pleasanton once again proved to be a great place for small businesses, start-ups, and major corporations alike. Some of the excitement of 2012:

- Workday, the software company led by Dave Duffield, was actively pursued by a neighboring community when it needed to expand. Pleasanton convinced Workday that we were the city of Workday's future as well as its present, thanks to the hard work of our economic development team and our City Manager. Workday's expansion will create up to 4,000 high tech jobs in Pleasanton; making it the City's largest employer.
- Clorox expanded its operations in Pleasanton. This project included moving almost 1,200 jobs, more than half from Oakland, to their expanded campus on

Johnson Drive, as well as the construction of a new 60,000 square foot research and development facility.

- Two major investment sales totaling approximately 148,000 square feet of commercial space, closed in 2012, one in Pleasanton Park and the second at the Britannia Business Center. Additionally, across our business parks we experienced a total of 229,000 square feet of new, renewed and expanded leases, some of these from local start-ups. A gross absorption of 200,000 square feet in 2012, up from 85,000 two years ago.
- The University of San Francisco relocated its San Ramon facility to Pleasanton, resulting in a 10,000 square foot campus near the West-Pleasanton BART station.

- Existing companies made investments in their local facilities, including our auto dealerships. Mercedes Benz is adding a 72,000 square foot showroom and service facility, while the Pleasanton Auto Mall upgraded the Mini Cooper and BMW locations with an expanded showroom, service bays and storage facility.
- Also in 2012, we welcomed the Gateway Shopping Center on Bernal Avenue. In less than one year, this retail development is fully leased with a new Safeway, restaurants, banks, retail, salons and even a future fuel station.
- On the other side of town, the Staples Ranch property is humming with the development of the Stoneridge Creek Retirement Community. And, after much work, the extension of Stoneridge Drive to El Charro Road is nearly completed and will open this summer.

- Brixmor has pending lease agreements to fill the 35,000 square feet vacated by the closing of Borders, and plans are underway to replace a former T.G.I. Friday's location.
- At the Stoneridge Shopping Center, the Simon Property Group welcomed several new national retailers and more restaurants. They are also actively working with the City to extend the mall's development agreement, which means an additional 350,000 square feet of retail.
- And finally, let's talk about Downtown Pleasanton. The vacancy rate downtown is only 6%, a real accomplishment in this economy and a testament to the economic value of a historic Downtown.

I am pleased to report that a national retailer is moving into the Domus site. I know our residents will

be thrilled with this exciting development. Stay tuned for public announcements regarding this new tenant.

Before I go on, I would like to introduce the rest of the Pleasanton City Council. Each one of them brings a unique background and perspective to the City on behalf of the people of Pleasanton, and I am honored to work beside them. Please join me in giving Vice-Mayor Cheryl Cook-Kallio, and Council-members Karla Brown and Jerry Pentin a big round of applause.

I would also like to recognize the many commissioners who serve as advisors to your City Council, all of whom devote countless hours to the City and provide guidance on many critical issues. Our city staff led by our City Manager Nelson Fialho. Thank you for your tireless commitment to keeping Pleasanton a world class city and a place where all of us, every day, want to live, work and play.

Would you all please stand for just a moment? Let's give them a round of applause!

Pleasanton's economy is rebounding. The City's finances grow stronger and stronger. Here are some numbers to back that up:

- The national unemployment rate is 7.9%. Statewide, the unemployment rate is 9.8%. Here in Pleasanton, it's 4.8%.
- In 2012, Pleasanton had one of the highest median household incomes in the nation at \$123,000 for cities its size. The State average is \$65,462, the national average \$61,455.
- Residential home values shot up in 2012, averaging \$789,000 for a single-family home. A 7% increase

from 2011. The numbers prove what we all know: Pleasanton is a desirable place to live.

- Citywide commercial vacancies are only at 13%, a decrease of almost 20% from a year ago. More jobs in the Tri Valley is something we can all celebrate.
- In 2012, the combined assessed value of our commercial and residential properties was just over \$17 billion, placing us in the elite top tier of Alameda County. As a result, property tax revenues in fiscal 2011-12 came in at approximately \$50 million.
- The City received just over \$19.1 million in sales tax revenues in fiscal 2011-12, a 3.2% increase over the previous fiscal year. A great sign of consumer confidence. Generally, all sales categories were up, including business to business transactions, auto sales and retail.

- Development activity is also up. Building permit revenues are up 24% from last year and plan check revenues are up 75%. Most of this activity is from new construction activity at Staples Ranch and Pleasanton Gateway Plaza and large tenant improvements at Clorox's relocation and the Safeway Corporate expansion at the former Farmers Insurance Building off Dublin Canyon Boulevard.
- And finally, we ended fiscal year 2012 with business licenses up by 6% over fiscal year 2011.

FISCAL CONDITION

- Pleasanton is in great financial shape. A position envied by communities around the Bay. Our conservative fiscal policies and comprehensive budgeting approach enable Pleasanton to deliver the high quality of services our residents deserve.

- Also, the City is committed to emphasized use of building reserves to fund capital assets. This conservative approach minimizes the use of debt, a methodology which has helped to put Pleasanton in its enviable economic position.

For example, the City maintains a 10% reserve for economic uncertainties in the General Fund, currently totaling \$9.0 million. Also, as of June 30, 2012, the City has \$11.0 million in the Temporary Recession Reserve, \$79.8 million in capital project reserves set aside for future projects, and \$25.5 million in reserves that have been set aside for insurance and the long-term repair and replacement of City facilities, including our parks, roads and buildings. Many of these reserves have a long-term focus, systematically being accumulated until needed to avoid debt financing. The upside of this approach is, if needed, these reserves could be drawn upon temporarily to sustain operations during a prolonged economic

downturn or until the City could make operational changes to fit the constraints of its resources.

While the City's financial policies require that one-time funds be used for one-time purposes, they do allow the temporary use of surplus fund balances to help stabilize services. Therefore, if any of these reserves were drawn upon, the City would begin restoring them as soon as possible.

- As a City, we are AA rated by Standard and Poor's. The assets of the City exceeded its liabilities at the close of our most recent fiscal year ending June 30, 2012 by \$872.4 million in net assets. Of this amount, just over \$157.8 million in unrestricted net assets may be used to meet the City's ongoing obligations, businesses, and creditors; \$58.2 million is restricted for specific purposes, and \$656.4 million is invested in capital assets.

2013 PRIORITIES

So, that's what we've been doing for the past 12 months. And, in 2013 we will continue to make strides. Because we have long-term efforts spanning multiple years, I want to highlight 10 priority areas that your City Council will be working on over the next 12-months.

- Bernal Park -- The City Council approved the preliminary park design for Phase II Bernal Park in September 2012. We plan to finalize detailed construction drawings this year to enable full financing and construction of this project in early 2014. This \$15 million project will bring lighted synthetic fields to our youth sports programs, including Football, Soccer, Lacrosse and Rugby, as well as passive open space, trails, parking and concession stands. This valuable amenity will benefit all age groups and be a premier location for local and regional youth tournaments in the Bay Area.

- Housing Element -- For the first time in 10 years the City has new State Certified Housing Element. As a result, we are busy reviewing several development applications that should jump start the local construction industry, while also providing much needed workforce housing for our working families and young professionals.

Here are some examples of projects coming before the Planning Commission and City Council in the coming 12-months:

The South Bay Development Corporation is proposing 210 apartment units and 88 single family homes, near the new Pleasanton Gateway Shopping Center.

The E.S. Ring Corporation is planning 345-condo style units and approximately 38,000 square feet of

neighborhood retail space at the corner of the Valley/Bernal/Stanley Intersection.

The Nearon Company, in partnership with Saint Anton Partners, is planning an upscale 168-unit transit-oriented project in the Hacienda Business Park, near the intersection of Stoneridge Drive and West Las Positas Boulevard.

Also in the Business Park, the California Center is planning a 205-unit transit-oriented development and approximately 7,500 square feet of neighborhood retail.

And finally, this spring, the developers of the two approved BRE projects located near the East Pleasanton BART station should commence construction of 500 units.

- East Side Plan Area -- The East Pleasanton Specific Plan Task Force is busy working on the planning and

development of the East Side, formerly the quarry and gravel areas of Pleasanton. Adoption of a Specific Plan is anticipated in early 2014. The group has been busy planning for infrastructure needs, including the construction of El Charro Road, the Busch Road Connection, assessing trails and open space needs, as well as determining the optimal mix of residential, commercial, office and industrial uses for the property. This area of town will eventually become the gateway into Pleasanton from the East and no doubt be another quality addition to our community.

- Senior Housing -- We also have an obligation to plan for our senior citizens. This is why the City is actively working on plans for the redevelopment of Kottinger and Pleasanton Gardens, along with its development partner, the Mid-Peninsula Non-Profit Development Corporation. Expect the Disposition, Development and Loan Agreements to be presented to the City Council for review and adoption in mid-2013. The

project will bring approximately 180 units of affordable senior housing to our community.

- Historic Preservation -- The Historic Preservation Task Force was initiated to evaluate current policies, programs, and regulations with the intention of preserving historic resources in the downtown, as well as streamlining the development review process for property owners. The goal is to make the planning process more predictable and efficient, while also preserving our historic resources. Expect recommendations to be submitted in the fall to the City Council for adoption. I believe this type of planning process will minimize neighborhood disputes and expedite the planning process related to the reconstruction or remodeling of historic structures in our downtown.
- Fiscal Sustainability – As a City, we will continue to adhere to our General Plan fiscal policies. We will look for opportunities to grow our revenues through

economic development initiatives and job creation as discussed earlier, while also managing our bottom line. We will address our bottom line by tackling our pension obligations.

This is how we are going to do it. The City established a fiscal policy in 2011 to reduce our pension obligations by at least 10% over the next five years. The City also established a PERS Stabilization Fund to offset the impact of smoothing, or negative amortization, associated with annual pension costs. The City will also continue to negotiate changes to pension benefits as labor agreements expire. And finally, the City will reduce our personnel costs to 70% of the Operating Budget.

Here are the results so far of this effort. The City was able to reduce its unfunded liability by 4% in fiscal year 2012 on an actuarial valuation basis. On a market valuation basis, the City was able to reduce its unfunded pension obligations by 13.8%. Pleasanton

is committed to its fiscal sustainability and these numbers demonstrate that commitment.

- Transportation -- Being located at the crossroads of two major interstates can challenge the congestion in Pleasanton. Widening State Route 84 is critical to our streets. This will allow central valley commuters to bypass Pleasanton on their way to and from Silicon Valley. I am committed to working with the Alameda County Transportation Commission to explore a more predictable funding plan for this valuable improvement. Measure B was a flawed sales tax initiative that would have funded 50% of this improvement. I believe the Measure B proposal can be improved with an appropriate sunset clause. If so, I will work to support it. In addition, I will be working with the federal and state governments to secure additional matching funds in my role as Mayor in partnership with our Tri-Valley Cities.

- Economic Development – To sustain our services, we need a strong local and regional economy. To achieve this, we need to create an environment where business is once again welcomed in the State of California. We can start by reforming the CEQA process. This is why I will be asking the City Council to join me in endorsing the Governor's call for meaningful reform at an upcoming City Council meeting. And, in my work as a board member of the League of California Cities, I will also be pushing hard to advance legislation that achieves this effort.

The City will also work regionally to freeze our regional development impact fees and to watchdog efforts to do otherwise by regional agencies. This will ultimately improve the environment for companies wishing to relocate to Tri-Valley area. We need more Workdays in our community and a stable fee structure is necessary to achieve this objective.

And finally, economic development doesn't stop at our city limits. Regional initiatives such as Innovation Tri-Valley and i-GATE are gaining momentum and adding to the collective recognition of the Tri-Valley as a center of entrepreneurship and enterprise. While Innovation Tri-Valley is a business-led initiative designed to create an inviting business climate that breaks new ground for innovation, the State-designated i-GATE innovation hub is a public-private partnership designed to maximize the economic potential of green transportation and clean-energy technologies by bringing cutting-edge research to the commercial market. The City of Pleasanton is actively involved in helping both organizations create pathways for new business formation and economic growth.

As always, we'll do all of this in collaboration with our local business partners – the Pleasanton Chamber of Commerce, the Pleasanton Downtown Association, Hacienda, the Tri-Valley Convention & Visitors

Bureau, the Alameda County Fairgrounds and Stoneridge Shopping Center. And there's no doubt, we'll create new and exciting connections with other community-based organizations as we all work to sustain the extraordinary quality of life we have here in Pleasanton, which attracts residents and companies alike.

And all throughout the coming year, we'll add to our activities to promote Pleasanton as an excellent place to do business. From trade shows to town halls, we'll be talking about why Pleasanton is the Right Address for the 21st Century.

- Recycled Water -- As a former executive with Hewlett Packard, I understand the importance of quality infrastructure, especially in the arena of environmental management. With water being a national topic and an especially important topic in our state, it's no surprise that we are working on developing infrastructure to deliver recycled water to

our landscaped medians, city parks, and business areas.

The City recently completed a Recycled Water Feasibility Study and has submitted it to the California State Water Resources Control Board for review. The purpose of this Study is to determine the feasibility of constructing a new recycled water system to replace and/or augment existing irrigation and process water supplies within the City. The development of recycled water service will lessen the demand for Zone 7 Water Agency Potable water supplies and help the City meet the mandates of the State of California's Water Conservation Act of 2009, which requires a 20 percent reduction in urban per capita water use by the year 2020.

Additionally, a recycled water supply will increase the City's water system reliability since recycled water is a local supply within the City's control and is drought-proof. Look for lots of discussion regarding this topic

in the coming year as we plan for this very important project

- Regional Partnerships - For the past several years we have enjoyed a great partnership with the cities of Danville, Dublin, Livermore and San Ramon. As a region we are highly regarded by our federal law makers for developing a regional legislative advocacy platform that we share with them annually. A priority for the Tri-Valley Mayors is to continue cultivating relationships with these lawmakers, such as Congressman Eric Swalwell.

Our regional collaboration is even more critical now as federal earmarks have become a thing of the past and all funding now resides with special agencies.

Finally, I will continue working hard for our region at the state level through my appointment to the Board of Directors of the League of California Cities. The 46-member panel is responsible for the overall

supervision and direction of the League which works to protect and expand local control for California cities.

CONCLUSION

Pleasanton is an extraordinary community. 2012 was a banner year for our city. And it happened not because of one group of citizens or one part of the business community. No one builds this City on their own. Pleasanton is great because we are building it together. We are committed to the truth of Pleasanton as a world class city. And if we hold fast to that truth, our journey moves forward, our future is bright and the state of our City will always be strong. 2013, Pleasanton's 119th year, will be its best yet. I know you will join me in leading us there. It is an honor and a privilege to stand before you as your Mayor. Thank you and God bless our great city.